

Message Text

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ACTION EUR-12

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PASS AGRICULTURA ELECTRONICALLY

E.O. 11652: N/A

TAGS: EAGR, EEC

SUBJECT: EC GRAIN TRADE: WHEAT EXPORTS, BARLEY IMPORTS

REF: (A) FASTO CIRCULAR 426, (B) FASTO CIRCULAR 430, (C) EC BRUSSELS
10061

1. OUR SOURCE IN A MAJOR WORLD GRAIN TRADING CORPORATION EXPECTS EC WHEAT PRICES TO DECLINE BECAUSE OF THE FAVORABLE OUTLOOK FOR WORLD WHEAT PRODUCTION, STOCKS FROM WHICH WILL OVERHANG THE MARKET DURING THE BALANCE OF 1976/77. CONSEQUENTLY, EXPORT DEMAND FOR WHEAT WILL DECLINE SIGNIFICANTLY AND THIS WILL TEND TO MAKE WHEAT MORE COMPETITIVE WITH FEED GRAINS. OUR SOURCE CONCLUDES, THEREFORE, THAT IN THE EC THIS YEAR THERE WILL BE LARGER FEED USE OF WHEAT, WHICH WILL BE DRAWN FROM FRENCH WHEAT STOCKS.

2. OFFICIALS IN THE COMMISSION'S GRAIN SECTION ESTIMATE EXPORT AVAILABILITY OF EC SOFT WHEAT IN 1976/77 AT ABOUT 4 1/2 TO 5 MILLION TONS. THEY EXPECT COMMERCIAL FLOUR EXPORTS TO TOTAL ABOUT 2.8 MILLION TONS (WHEAT EQUIVALENT) AND FOOD AID SHIPMENTS TO AMOUNT TO 0.7 TO 1 MILLION TONS.

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IN ADDITION, EXPORTS OF ABOUT 400,000 TONS TO CERTAIN

TRADITIONAL MARKETS, MOSTLY IN WEST AFRICA, ARE REGARDED AS FIRM. THE REMAINDER (1/2 TO 1 MILLION TONS) OF THE WHEAT AVAILABLE MIGHT GO INTO STOCKS RATHER THAN EXPORT. SINCE VERY LARGE SUBSIDIES WOULD BE NEEDED TO EXPORT, THERE WILL BE PRESSURE TO LET STOCKS ACCUMULATE.

3. THE COMMISSION ESTIMATE OF SOFT WHEAT EXPORT AVAILABILITY ASSUMES COMMERCIAL FEEDING OF ABOUT 6 MILLION TONS OF SOFT WHEAT IN 1976/77 (MORE THAN 1.5 MILLION TONS ABOVE LAST YEAR) AS WELL AS SOME INCREASE IN ON-FARM USE OF WHEAT. THE OFFICIALS FEEL THAT THE EXTENT OF ON-FARM FEEDING OF WHEAT IS STILL VERY UNCERTAIN, HOWEVER, BECAUSE MANY FARMERS ARE STILL HOLDING SUPPLIES OFF THE MARKET. EC EXPORTS OF SOFT WHEAT IN 1975/76 ARE NOW PUT AT 7.3 MILLION TONS (OF WHICH, 2.6 WHEAT FLOUR, 0.7 FOOD AID).

4. RE REF. B, COMMISSION OFFICIALS, MORE OR LESS CONFIRMING REPORT IN REF. C, SAID THAT THEY HAD HEARD RUMORS OF USSR BARLEY SALES TO WESTERN EUROPE BUT NOTHING DEFINITE. THEY WERE DOUBTFUL THAT THE USSR WOULD HAVE MUCH LEFT FOR EXPORT AFTER SUPPLYING THE LARGE EASTERN EUROPEAN MARKET. HOWEVER, IF THE USSR HAS MALTING QUALITY BARLEY AVAILABLE IN EXCESS OF EASTERN EUROPEAN MALTING NEEDS, IT WOULD BE ADVANTAGEOUS FOR RUSSIA TO SHIP TO WESTERN EUROPE AND TAKE ADVANTAGE OF THE LARGE PRICE PREMIUM FOR MALTING BARLEY RATHER THAN SUPPLY EASTERN EUROPEAN FEED REQUIREMENTS. THEY NOTED THAT BECAUSE OF THE POOR CROP THE INDUSTRY HAS BECOME LESS DEMANDING WITH RESPECT TO MALTING BARLEY QUALITY. FURTHERMORE, THE OFFICIALS NOTED THAT FEED BARLEY PRICES WERE CONSIDERABLY HIGHER THAN CORN PRICES BOTH IN THE EC AND WORLD MARKET. THUS, ACCORDING TO THEM, IT WOULD BE ADVANTAGEOUS FOR THE USSR TO SELL FEED BARLEY TO WESTERN EUROPE AND SUPPLY EASTERN EUROPE WITH IMPORTED CORN. IF USSR BARLEY EXPORTS TO THE EC MATERIALIZE, THEY SAID IT WOULD BE DUE TO THE MARKET FACTORS DESCRIBED ABOVE RATHER THAN ANY MANIPULATION OR PECULIARITY OF THE EC LEVY SYSTEM. MORRIS

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